

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1130 - HB 1062

March 18, 2013

SUMMARY OF BILL: Authorizes wineries to sell to restaurants and hotels with a liquor-by-the-drink license up to 3,000 cases of wine per year, provided the wine was made on premises by the winery.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue - \$200/ABC Fund
\$14,600/General Fund**

Increase Local Revenue - \$3,600

Assumptions:

- The following four types of taxes will be impacted by this bill: the excise tax on wine, the state sales tax, the local option sales tax, and the enforcement tax.
- Wine sales are subject to a \$1.21 per gallon wine excise tax. The current state sales tax rate is seven percent and the average local option sales tax rate is estimated to be 2.5 percent. The enforcement tax is \$0.15 per case tax allocated to the ABC Fund.
- There are approximately 12 bottles or 2.377 gallons of wine per case.
- According to the Department of Revenue collection reports, total collections for wine excise tax in FY11-12 were \$352,254 for an estimated 291,119 gallons sold (\$352,254 / \$1.21 per gallon excise tax).
- According to the Department of Revenue, Tennessee wineries direct 25 percent of their output to restaurants and hotels. As a result, approximately \$88,064 (\$352,254 x 25%) of wine excise tax collections in FY11-12 was derived from the sale of wine to restaurants and hotels.
- The total increase in wine sales for restaurants and hotels is estimated to be five percent. As a result, the recurring increase in wine excise tax revenue is estimated to be approximately \$4,403 [(\$88,064 x 105%) - \$88,064].
- The average price of wine per gallon is \$39.90 resulting in taxable sales of approximately \$11,615,648 (291,119 gallons sold x \$39.90) in FY11-12. This number is assumed to remain constant under current law.
- Taxable sales occurring at restaurants and hotels is estimated to be \$2,903,912 (\$11,615,648 x 25%).

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- State and local sales tax collections are estimated to be \$203,274 ($\$2,903,912 \times 7.0\%$) and \$72,598 ($\$2,903,912 \times 2.5\%$) respectively under current law.
- The recurring increase in state sales tax revenue is estimated to be \$10,164 [$(\$203,274 \times 105\%) - \$203,274$].
- The recurring increase in local option sales tax revenue is estimated to be \$3,630 [$(\$72,598 \times 105\%) - \$72,598$].
- The number of cases sold in FY11-12 is estimated to be 122,473 (291,119 gallons sold / 2.377 gallons per case). The number of cases sold to restaurants and hotels in FY11-12 is estimated to be 30,618 ($122,473 \times 25\%$). Therefore, enforcement tax collections derived from wine sold to restaurants and hotels was approximately \$4,593 ($30,618 \text{ cases} \times \0.15) in FY11-12. This number is assumed to remain constant under current law. The recurring increase in enforcement tax revenue to the ABC Fund is estimated to be \$229 [$(30,618 \text{ cases} \times 105\% \times \$0.15) - \$4,593$].
- There will not be a significant increase in state or local government expenditures to collect additional tax revenue.
- The total recurring increase in state revenue to the General Fund is estimated to be \$14,567 ($\$4,403 + \$10,164$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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